

Message Text

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ACTION IO-14

INFO OCT-01 EUR-12 ISO-00 USIE-00 CIAE-00 CU-04 INR-07
NSAE-00 AID-05 SSO-00 NSCE-00 ABF-01 OMB-01
TRSE-00 INRE-00 OIC-02 AF-10 ARA-10 EA-10 NEA-10
L-03 /090 W

-----125037 070945Z /15

O R 070914Z SEP 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 8163
INFO USMISSION USUN
USMISSION GENEVA

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E.O. 11652: N/A
TAGS: UNESCO, PORG, AORG
SUBJECT: UNESCO: GENEVA GROUP MEETING

REF: (A) PARIS 23089, (B) PARIS 21757

1. GENEVA GROUP MET ON SEPT. 6 TO DISCUSS DG'S REPLY
TO GC LETTER (REFTEL A) AND 103 EX/5 (ITEM 4.2 OF THE
PROVISIONAL AGENDA) ANALYTICAL SUMMARY OF REPLIES BY
MEMBER STATES TO SECRETARIAT'S BUDGET QUESTIONNAIRE,
AND DG'S PRELIMINARY PROPOSAL REGARDING DRAFT PROGRAM
AND BUDGET FOR 1979-80.

2. CONCERNING DG'S REPLY, GC MEMBERS (NOTEWORTHY AMONG
THEM CANADA, FRG, ITALY, AND JAPAN) UNANIMOUSLY CON-
SIDERED THAT RESPONSE WAS NOT ONLY UNSATISFACTORY, BUT
ARROGANT AND OFFENSIVE AS WELL, AND IGNORED VIEWS OF
THE GC MINORITY. EVERYONE (ONLY SWITZERLAND WAS ABSENT)
AGREED, HOWEVER, THAT NOTHING MORE CAN BE DONE ABOUT
IT AT THIS TIME. IT WAS POINTED OUT THAT THE INTENT
OF THE GC INITIATIVE WAS TO SECURE LOW KEY, INFORMAL
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TALKS WITH THE SECRETARIAT, AND THAT DG'S OFFER IN
LAST PARA OF RESPONSE TO AIR GC CONCERNS PUBLICALLY AT
EXBD, WOULD UNDERCUT ATTEMPTS TO ACHIEVE A QUIET
DIALOGUE.

3. DURING DISCUSSION 103 EX/5, ACTING US PERMREP,
WHO CHAIRED THE MEETING, DISTRIBUTED INFORMAL US

DELEGATION PAPER WHICH WAS INTENDED TO STIMULATE AND GUIDE DISCUSSION OF ITEM. (SEE PARA 6 BELOW). WE WOULD LIKE TO DRAW DEPT'S ATTENTION ESPECIALLY TO 103 EX/5, PART III, PAGE 12-13. AS NOTED IN US DEL'S PAPER ON PP 2-3, IT APPEARS THAT INFLATION COSTS MAY HAVE BEEN DOUBLE COUNTED. IF THIS BEARS OUT, US DEL PAPER COULD PROVIDE BASIS ON WHICH ASSUMPTIONS USED IN DG'S BUDGET CALCULATIONS MIGHT BE CHALLENGED, AND PROVIDES ALTERNATIVE, MORE "REALISTIC" BUDGET LEVELS (PP 4-5) WHICH GC CAPITALS MIGHT CONSIDER SUPPORTING ALTERNATIVE HYPOTHESES.

4. GC WILL CONVENE AGAIN ON SEPT. 13, PRIOR TO CONVENING OF FINANCE AND ADMINISTRATION COMMISSION OF 103 EXBD. IN THE MEANTIME, MEMBERS AGREED TO GO TO CAPITALS WITH US DEL INFORMAL BUDGET ANALYSIS, AND ALTERNATIVE HYPOTHESES, TO SEEK INSTRUCTIONS BASED ON THIS NEW INFORMATION. SINCE PERMDEL WILL BE RIDING HERD ON THIS EFFORT, WE WOULD APPRECIATE DEPT'S COMMENTS ON US DEL PAPER AS SOON AS POSSIBLE.

5. FOR DEPT'S INFORMATION, USSR BOARD MEMBER KUTAKOV HAS INVITED ACTING PERMREP TO LUNCH ON SEPT. 9 TO DISCUSS BUDGET ITEM, AND QUESTION OF NEW SECRETARIAT POSITION ON GEOGRAPHICAL DISTRIBUTION (ITEM 7.6) WHICH WILL AFFECT MOSTLY USSR AND US QUOTAS. PLEASE LIMITED OFFICIAL USE

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COMMUNICATE BY THEN ANY POINTS WHICH DEPT. WOULD LIKE TO HAVE DISCUSSED AT THIS MEETING.

6. US DEL PAPER CONTAINING THOUGHTS ON DG'S BUDGET PROJECTIONS IS AS FOLLOWS:

THE 1977 APPROVED BUDGET . . .
"ITEM 4.2 --- DOCUMENT 103 EX/5

THOUGHTS ON DG BUDGET PROJECTIONS FOR 1979-80. THE 1977-78 APPROVED BUDGET IS \$224.4 MILLION. THE DG GIVES A LOW ESTIMATE FOR 1979-80 OF \$277.6 MILLION, AND A HIGH ESTIMATE OF \$279.4 MILLION.

THE LOW ESTIMATE IS AN INCREASE OF 23.7 OVER THE 1977-78 PERIOD. THE HIGH ESTIMATE IS AN INCREASE OF 24.5.

THE '77-78 BUDGET OF \$224.4 MILLION IS A 32 INCREASE

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OVER THE '75-76 BUDGET OF \$170.0 MILLION.

NO COUNTRY IN THE WORLD IS BUILDING UP ITS GOVERN-
MENT BUDGETS SO RAPIDLY.

IF THESE GROWTH RATES ARE PROJECTED INTO THE FUTURE,
BY 1989-1990 THE UNESCO BUDGET WOULD REACH SOME \$815
MILLION. BY 1999-2000 THE BUDGET LEVEL WOULD REACH
2.4 BILLION DOLLARS.

IN LOOKING OVER THE DG'S PROPOSALS FOR 1979-1980
OF A LOW OF \$277.6 MILLION AND A HIGH OF 279.4
MILLION, IT APPEARS THAT THESE INCLUDE SEVERAL
QUESTIONABLE ASSUMPTIONS.

- IT APPEARS THAT INFLATION FACTORS MAY BE
DOUBLE COUNTED.

- SEMI-FULL BUDGETING CALLS FOR INFLATION
INCREASES FOR THE FIRST YEAR OF THE BIENNIUM
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TO BE COVERED BY THE BUDGET AND FOR INFLATION INCREASES OF THE SECOND YEAR OF THE BIENNIUM TO BE ABSORBED WITHIN THE OVERALL BUDGET.

- THUS THE 1977-78 BUDGET OF 224.4 MILLION ALREADY INCLUDES AN AMOUNT OF 13.4 MILLION DOLLARS TO COVER INFLATION INCREASES FOR 1977. ANY INCREASES IN COSTS OF STAFF, GOODS AND SERVICES FOR 1978 SHOULD BE COVERED BY SAVINGS IN THE OVERALL BUDGET.
- HOWEVER, IN THE COMPONENTS MAKING UP THE DG'S PROPOSED BUDGET FOR THE NEXT BIENNIUM OF 1978-1979, HE INCLUDES AMOUNTS ADDED TO THE 1979-80 BUDGET TO MAKE UP FOR INFLATION INCREASES IN 1979-80.

- THE AMOUNT IS 40.2 MILLION DOLLARS. THIS WOULD SEEM TO DUPLICATE THE 13.4 MILLION DOLLARS ALREADY INCLUDED IN THE 1977-1978 BUDGET FOR INFLATION IN 1977. IT WOULD SEEM TO OBTAIN THE SEMI-FULL BUDGETING PRINCIPLE THAT INFLATION COSTS FOR 1978 SHOULD BE ABSORBED WITHIN THE 1977-78 PROGRAM.

- IT WOULD APPEAR THAT THE ALLOWANCE FOR INFLATION IN THE 1979-1980 BUDGET SHOULD BE THE AMOUNT TO COVER INFLATION FOR 1979. THE D.G. ESTIMATES THIS TO BE SOME 15.1 MILLION DOLLARS.

THE FOLLOWING BUDGET ASSUMPTIONS ARE SUGGESTED TO DETERMINE A MORE REALISTIC BUDGET LEVEL WHICH WE MIGHT TRY TO GET OUR CAPITALS TO GO ALONG WITH:
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1. BASE FIGURE WOULD BE THE APPROVED BUDGET FOR 1977-1978 OF 224.4 MILLION.

2. APPLY AN INFLATION FACTOR FOR 1979 TO TAKE CARE OF THE FIRST YEAR INFLATION COSTS, (THE SECOND YEAR INFLATION COSTS WOULD BE ABSORBED UNDER SEMI-FULL BUDGETING PRINCIPLES.)

USE THE 8 PERCENT ASSUMPTION IN 103 EX/5.
AMOUNT FOR INFLATION 1979 - 18.0 MILLION DOLLARS.

3. ASSUME A RANGE OF OVERALL GROWTH RATE BETWEEN 3 PERCENT (LOW OPTION) OF SOME 6.7 MILLION

DOLLARS AND 5 PERCENT (HIGH OPTION) OF SOME
11.2 MILLION DOLLARS.

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INRE-00 SSO-00 OIC-02 AF-10 ARA-10 EA-10 NEA-10
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O R 070914Z SEP 77
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- WITHIN THIS OVERALL GROWTH RATE OF 3 PERCENT
TO 5 PERCENT LET THE DG PROPOSE AN
ALLOCATION OF GROWTH BETWEEN PROGRAM GROWTH
(PERHAPS 6), BETWEEN OTHER PARTS OF THE
BUDGET SUCH AS COMMON SERVICES,
ADMINISTRATION (PERHAPS 0), AND BETWEEN
MANDATORY" INCREASES.

- THIS WOULD PROVIDE AN INCENTIVE TO "BUILD UP
IMPORTANT AND WELL-PERFORMING PROGRAM
ACTIVITIES; TO REDESIGN BADLY PERFORMING
ACTIVITIES, AND TO REDUCE OR PHASE OUT
MARGINAL OR INEFFECTIVE ACTIVITIES.

4. THIS WOULD GIVE A BUDGET TARGET FIGURE
AS FOLLOWS:

A. BASE \$224.4 MILLION

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B. INFLATION FOR 1979--18.0 MILLION

C. OVERALL GROWTH LOW HIGH

3 6.7 MILLION

5 11.2 MILLION

D. BUDGET TARGET

LOW 249.1 MILLION

HIGH 253.6 MILLION

E. PERCENT INCREASE

OVER 1977-1978

LOW 11.0

HIGH 13.0

5. AS A STILL HIGHER OPTION, THE "MANDATORY" INCREASES
(\$4.3 MILLION ESTIMATED BY THE DG) MIGHT BE ADDED
RATHER THAN ABSORBED.

A. HIGHER BUDGET TARGET

LOW \$253.4 MILLION

HIGH 257.9 MILLION

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS25841
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770323-0171
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770991/aaaacyjr.tel
Line Count: 312
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 40414a4b-c288-dd11-92da-001cc4696bcc
Office: ACTION IO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 PARIS 23089, 77 PARIS 21757
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1365102
Secure: OPEN
Status: NATIVE
Subject: UNESCO: GENEVA GROUP MEETING
TAGS: PORG, AORG, UNESCO
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/40414a4b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009